
**Technology, Energy &
Communications Committee**

HB 1705

Brief Description: Creating health sciences and services authorities.

Sponsors: Representatives Barlow, Ormsby, Kenney and Wood.

Brief Summary of Bill

- Allows a city, town or county to establish a Health Sciences and Services Authority (Authority) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health.
- Provides a business and occupation tax exemption for grants made by an Authority.
- Authorizes the Department of Community, Trade and Economic Development to provide an Authority with a percentage of proceeds generated by sales and use taxes within a city, town or county jurisdiction.

Hearing Date: 2/7/07

Staff: Scott Richards (786-7156).

Background:

Special Purpose Districts

Special purpose districts are limited purpose local governments established to perform a specialized function separate from a city, town, or county (local government). Examples of functions include: electricity services, flood control, irrigation, parks and recreation, and water and sewer services. According to Municipal Research and Services Center of Washington, there are an estimated 80 different special purpose districts in the state. Most often the governance structure are designated in statute. Most powers of a special purpose district are vested in a board of directors, board of trustees, or board of district directors.

Business and Occupation Tax

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Business & Occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. There are no deductions for the costs of doing business.

Sales and Use Tax

The sales tax is paid on each retail sale of most articles of tangible personal property, certain services, and extended warranties. The use tax is imposed on the use of articles of tangible personal property, certain services, and extended warranties when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

Summary of Bill:

Health Sciences and Services Authority

A city, town, or county (local government) may establish by ordinance or resolution a Health Sciences and Services Authority (Authority) to promote bioscience-based economic development and advance new therapies and procedures to combat disease and promote public health. "Health sciences and services" means biosciences that advance new therapies and procedures to combat disease and promote public health. The ordinance or resolution must specify the powers of the Authority, establish an administrative board, clarify the geographic boundaries of an Authority and provide investment guidelines.

An Authority has all the general powers necessary to carry out its purposes and duties such as make and execute agreements and contracts, establish special funds, hire staff, leverage Authority's public funds with moneys received from other public and private sources, hold funds received by the Authority in trust, and make grants to entities to promote bioscience-based economic development.

Board

An Authority shall be overseen by a board appointed by the sponsoring local government. Board members must reside within the jurisdiction of the local government that created the Authority. The board is responsible for selecting the Chair and the adoption of bylaws or rules for their own governance. Board meetings will be held in accordance with the Open Public Meetings Act.

Liability

Members of the board, as well as other persons acting on behalf of the Authority, are not subject to personal liability resulting from their official duties. The state, the local government that created the Authority, and the Authority are not liable for any loss, damage, harm, or other consequences resulting from grants provided by the Authority or from programs, services, research, or other activities funded with such grants.

Department of Community, Trade and Economic Development

The Department of Community, Trade and Economic Development (Department) is authorized to approve or reject applications submitted by local governments for an area's designation as an Authority. The application shall be prescribed by the Department. Applications are due December 31, 2008. When denying an application, the Department must specify the application's deficiencies. A rejected application may be resubmitted for approval. The Department is limited to approving four authorities statewide.

The Department may adopt any rules necessary to implement the Authority program. The Department must develop evaluation and performance measures in order to evaluate the effectiveness of an Authority's activities.

Debt

A local government may incur general indebtedness, and issue general obligation bonds, to finance the grants and other programs and retire the indebtedness. The bonds issued by a local government do not constitute an obligation of the state of Washington, either general or special.

State Tax Incentives

Business and Occupation Tax

The Business and Occupation tax does not apply to grants made by an Authority.

Sales and Use Tax

The Department shall distribute, on a quarterly basis, to a local government with an Authority an amount equal to .015 percent of the proceeds generated by the sales and use taxes within that local government's jurisdiction during the previous quarter. The amounts received may only be used to carry out the powers and duties of an Authority or to finance and retire debt incurred, in whole or in part.

Public Disclosure

Financial, commercial, operations, and technical and research information and data submitted to or obtained by an Authority related to grant making is exempt from disclosure as part of the Public Records Act.

Appropriation: None.

Fiscal Note: Requested on February 5, 2007.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.